

**Glenwood Municipal Utilities  
Independent Auditors' Report  
Basic Financial Statements and  
Supplementary Information  
Schedule of Findings**

**June 30, 2008 and 2007**

## Table of Contents

|  | <u>Page</u>     |
|--|-----------------|
| Officials  | 1               |
| Independent Auditors' Report   | 2-3             |
| Management's Discussion and Analysis   | 4-7             |
|  | <u>Exhibit</u>  |
| Basic Financial Statements:  |                 |
| Statements of Net Assets   | A 8-9           |
| Statements of Revenues, Expenses and<br>Changes in Net Assets  | B 10            |
| Statements of Cash Flows   | C 11-12         |
| Notes to Financial Statements  | 13-19           |
| Required Supplementary Information:  |                 |
| Budgetary Comparison Schedule of Revenues<br>and Expenditures – Actual to Budget   | 20              |
| Notes to Required Supplementary Information -<br>Budgetary Reporting   | 21              |
|  | <u>Schedule</u> |
| Other Supplementary Information:   |                 |
| Schedule of Property, Plant and Equipment  | 1 22-23         |
| Schedule of Expenses per 1,000 Gallons of<br>Water Pumped June 30, 2007 and 2008   | 2 24            |
| Schedule of Sewer Expenses per 1,000 Gallons of<br>Wastewater Flow June 30, 2007 and 2008  | 3 25            |
| Schedule of Water and Sewer Sales and Expenses per<br>1,000 Gallons  | 4 26            |
| Independent Auditors' Report on Internal Control over Financial<br>Reporting and on Compliance and Other Matters Based on an<br>Audit of Financial Statements Performed in Accordance with<br><i>Government Auditing Standards</i> | 27-28           |
| Schedule of Findings   | 29-30           |

**Glenwood Municipal Utilities  
Officials**

| <u>Name</u>        | <u>Title</u>        | <u>Term<br/>Expires</u> |
|--------------------|---------------------|-------------------------|
| John Dean          | Trustee/Chairperson | January 2011            |
| Darrell Mayberry   | Trustee             | January 2009            |
| Doug Meggison      | Trustee             | January 2013            |
| Lonnie Mayberry    | Trustee             | January 2010            |
| Dick Davis         | Trustee             | January 2012            |
| Rosemarie McDuffie | Secretary           | Indefinite              |

January 8, 2009

Independent Auditors' Report

To the Board of Trustees  
Glenwood Municipal Utilities  
Glenwood, IA 51534

We have audited the accompanying financial statements of the business type activities and each major fund of the Glenwood Municipal Utilities, a component unit of the City of Glenwood, as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the Glenwood Municipal Utilities management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities and each major fund of the Glenwood Municipal Utilities at June 30, 2008 and 2007, and the changes in its financial position and the cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards* we have also issued our report dated January 8, 2009, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Continued...

January 8, 2009  
Glenwood Municipal Utilities  
Independent Auditors' Report

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 9, and pages 25 through 26, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 1 through 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Information in Schedule 1 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Information in Schedules 2, 3, and 4, relating to gallons pumped, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

# Glenwood Municipal Utilities

## Management's discussion and analysis

Glenwood Municipal Utilities provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the Utilities financial statements, which follow.

### Financial Highlights

- The Utilities total water and sewer operating revenues decreased \$(52,340), from fiscal 2007 to fiscal 2008.
- The Utilities total water and sewer operating expenses increased \$43,148, from fiscal 2007 to fiscal 2008.
- The Utilities net assets increased \$338,631, from fiscal year end 2007 to fiscal year end 2008.
- The Utilities total water and sewer operating income increased \$257,667, from fiscal 2007 to fiscal 2008.

The decrease in operating revenues from fiscal year 2007 to 2008 was primarily a result of decreased sales and volume. The increase in operating expenses was primarily due to an increase in salaries and benefits.

### Using This Annual Report

The Glenwood Municipal Utilities has variable funds and presents its financial statements using accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Glenwood Municipal Utilities basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the Utilities financial activities.

The Statement of Net Assets presents information on the Utilities assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Utilities operating revenues and expenses, non-operating revenues and expenses and whether the Utilities financial position has improved or deteriorated as a result of the years activities.

The Statement of Cash Flows presents the change in the Utilities cash and cash equivalents during the year. This information can assist the user of the report in determining how the Utilities financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

**Financial Analysis of the Utilities**  
**Statement of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of the Utilities financial position. The Utilities net assets for fiscal 2008 totaled approximately \$7,177,213. This compares to approximately \$6,767,916 for fiscal 2007. A summary of the Utilities net assets is presented below.

|   | Net Assets          |                     |
|---|---------------------|---------------------|
|   | June 30,<br>2008    | 2007                |
| Invested in capital assets, net of related debt | \$ 4,801,881        | \$ 3,746,061        |
| Restricted for: Customer Deposits               | 114,416             | 115,385             |
| Debt Service Requirements                       | -                   | 626,975             |
| Unrestricted                                    | 232,096             | 4,488,421           |
| Contributed Capital                             | <u>2,367,451</u>    | <u>2,367,451</u>    |
| Net Assets                                      | \$ <u>7,700,820</u> | \$ <u>7,177,213</u> |

The largest portion of the Utilities net assets is invested in capital assets – (62 %, e.g., land, buildings, equipment and machinery), less the related debt portion of net asset are resources allocated to capital assets. The next largest portion is unrestricted net assets - (34 %, e.g., with contributed capital) that can be used to meet the Utilities obligations as they come due.

# Statement of Revenues, Expenses and changes in Net Assets

Operating revenues are received for water and sewer sales and charges for services for customers attached to the appropriate systems including Glenwood, Pacific Junction and outlying areas. Operating expenses are expenses paid to operate the appropriate water and sewer systems and facilities. Non-operating revenues and expenses are for interest income and expense, rent, fees and penalties and parts sales. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ending June 30, 2007 and 2008 is presented below:

| Changes in Net Assets                 |  | Year ended June 30, |           |
|---------------------------------------|--|---------------------|-----------|
|                                       |  | 2008                | 2007      |
| Operating Revenues                    |  |                     |           |
| Water sales                           |  | 745,254             | 776,210   |
| Sewer sales                           |  | 856,858             | 916,575   |
| Charges for services                  |  | 91,278              | 52,945    |
| Total operating revenues              |  | 1,693,390           | 1,745,730 |
| Operating Expenses                    |  |                     |           |
| Salaries                              |  | 384,478             | 355,551   |
| Employee benefits                     |  | 149,839             | 131,221   |
| Contracted services                   |  | 9,682               | -         |
| Utilities                             |  | 130,290             | 114,407   |
| Telephone                             |  | 18,513              | 17,745    |
| Chemicals                             |  | 65,773              | 69,501    |
| Supplies                              |  | 29,504              | 20,628    |
| Computer expenses                     |  | 7,550               | 6,818     |
| Office supplies                       |  | 19,154              | 12,077    |
| Postage and freight                   |  | 13,884              | 13,085    |
| Insurance                             |  | 43,818              | 39,416    |
| Repairs and maintenance               |  | 92,706              | 117,284   |
| Legal and accounting                  |  | 5,176               | 4,645     |
| Board member fees                     |  | 2,400               | 2,160     |
| Engineering                           |  | 17,027              | 9,525     |
| Miscellaneous                         |  | 9,860               | 17,492    |
| Depreciation                          |  | 436,069             | 461,020   |
| Total operating expenses              |  | 1,435,723           | 1,392,575 |
| Operating income                      |  | 257,667             | 353,155   |
| Non-operating Revenues (Expenses)     |  |                     |           |
| Interest income                       |  | 43,653              | 32,235    |
| Interest expense                      |  | (23,094)            | (28,597)  |
| Rent                                  |  | 15,433              | 14,016    |
| Miscellaneous                         |  | 7,866               | 4,694     |
| Collection fees                       |  | 7,015               | 6,725     |
| Surcharges                            |  | 3,000               | 3,130     |
| Penalty charges                       |  | 28,822              | 21,844    |
| Gain on sale of assets                |  | 968                 | -         |
| Merchandise and part sales            |  | 20,607              | 17,099    |
| Cost of merchandise and parts         |  | (23,306)            | (15,004)  |
| Net non-operating revenues (expenses) |  | 80,964              | 56,142    |
| Changes in net assets                 |  | 338,631             | 409,297   |
| Net assets, beginning of year         |  | 7,177,213           | 6,767,916 |
| Net assets, end of year               |  | 7,515,844           | 7,177,213 |



The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets of approximately 5%..

#### Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes water and sewer sales and assessments reduced by payments for operations and to suppliers. Cash provided by other investment income includes penalties, charges and rent payments.

#### Capital Assets

At June 30, 2008, the Utilities had approximately \$4,802,000 invested in capital assets, net of accumulated depreciation of approximately \$17,931,000. Depreciation charges totaled approximately \$461,000 for fiscal year 2008. More detailed information about the Utilities capital assets is presented in Schedule 1 of the Audit Report.

#### Long-Term Debt

In fiscal year 2008, the Utilities paid off all outstanding debt, a decrease of \$450,796 from 2007. The table below summarizes outstanding debt.

|                       | June 30, |            |
|-----------------------|----------|------------|
|                       | 2008     | 2007       |
| Long-Term Liabilities |          |            |
| Sewer revenue notes   | \$ -     | \$ 450,796 |

Additional information about the Utilities long-term debt is presented in Note 4, of the Audit Report.

#### Economic Factors

Glenwood Municipal Utilities continued to improve its financial position during the current fiscal year. However, the current condition of the economy continues to be a concern for Utilities officials. Some of the realities that may potentially become challenges for the Utilities to meet are:

- Facilities of the Utilities require constant maintenance and upkeep with infrastructure.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain operational and efficient technology at a reasonable cost.
- Continuing the productive and efficient operations for the Utilities as well as the sound business decisions needed with an outlook to the futures demands and community betterment.

The Utilities anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Utilities ability to react to unknown issues.

#### Contacting the Utilities Financial Management

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Utilities finances and to show the Utilities accountability for the money it receives. If you have questions about this report or financial information, contact Glenwood Municipal Utilities, 107 ½ South Locust Street, Glenwood, Iowa.

## Basic Financial Statements

**Glenwood Municipal Utilities**  
**Statements of Net Assets**  
**June 30, 2008**  
**(With Comparative Totals for 2007)**

## ASSETS

|  | Water        | Sewer        | Total<br>2008 | Total<br>2007 |
|--|--------------|--------------|---------------|---------------|
| <b>Current Assets</b>                          |              |              |               |               |
| Unrestricted                                   |              |              |               |               |
| Cash   | \$ 859,038   | \$ 657,712   | \$ 1,516,750  | \$ 1,457,110  |
| Investments                                    | 712,790      | 152,985      | 865,775       | 535,516       |
| Accounts receivable - City of Glenwood         | 17,920       | 73,334       | 91,254        | 163,655       |
| Accounts receivable - City of Pacific Junction | 68,788       | -            | 68,788        | 15,903        |
| Accounts receivable - repairs                  | 4,945        | -            | 4,945         | 6,151         |
| Unbilled usage                                 | 30,628       | 37,938       | 68,566        | 82,366        |
| Inventory                                      | 33,295       | 7,492        | 40,787        | 40,350        |
| Total unrestricted current assets              | 1,727,404    | 929,461      | 2,656,865     | 2,301,051     |
| Restricted                                     |              |              |               |               |
| Customer deposits                              | 114,416      | -            | 114,416       | 115,385       |
| Revenue notes, sinking fund                    | -            | -            | -             | 355,684       |
| Principal and interest reserve fund            | -            | -            | -             | 112,651       |
| Replacement and maintenance reserve fund       | -            | -            | -             | 158,640       |
| Total restricted current assets                | 114,416      | -            | 114,416       | 742,360       |
| Total current assets                           | 1,841,820    | 929,461      | 2,771,281     | 3,043,411     |
| <b>Property and Equipment</b>                  |              |              |               |               |
| Land   | 71,621       | -            | 71,621        | 71,621        |
| Buildings                                      | 1,829,257    | 5,808,138    | 7,637,395     | 7,499,028     |
| Machinery                                      | 5,443,092    | 8,803,732    | 14,246,824    | 13,750,781    |
| Equipment                                      | 308,610      | 468,216      | 776,826       | 733,513       |
|  | 7,652,580    | 15,080,086   | 22,732,666    | 22,054,943    |
| Less accumulated depreciation                  | 5,029,322    | 12,901,463   | 17,930,785    | 17,858,086    |
| Total property and equipment                   | 2,623,258    | 2,178,623    | 4,801,881     | 4,196,857     |
| <b>Other Assets</b>                            |              |              |               |               |
| Contract receivable - Pacific Junction         | 7,540        | -            | 7,540         | 13,766        |
| Construction in progress                       | 57,816       | 62,302       | 120,118       | 540,923       |
| Total other assets                             | 65,356       | 62,302       | 127,658       | 554,689       |
| Total assets                                   | \$ 4,530,434 | \$ 3,170,386 | \$ 7,700,820  | \$ 7,794,957  |

See accompanying notes to financial statements

**Exhibit A**  
**Continued**

**Glenwood Municipal Utilities**  
**Statements of Net Assets**  
**June 30, 2008**  
**(With Comparative Totals for 2007)**

**LIABILITIES AND NET ASSETS**

|   | Water        | Sewer        | Total<br>2008 | Total<br>2007 |
|---|--------------|--------------|---------------|---------------|
| <b>Current Liabilities</b>                      |              |              |               |               |
| Payable from unrestricted current assets:       |              |              |               |               |
| Accounts payable                                | \$ 17,413    | \$ 7,082     | \$ 24,495     | \$ 17,955     |
| Recycling fees payable - City of Glenwood       | 5,714        | -            | 5,714         | 2,703         |
| Sewer fees payable - City of Pacific Junction   | 13,505       | -            | 13,505        | 7,305         |
| Sales tax payable                               | 3,798        | 602          | 4,400         | 5,571         |
| Accrued wages and vacation payable              | 11,952       | 10,494       | 22,446        | 18,029        |
| Current portion of long-term debt               | -            | -            | -             | 90,248        |
| Total payables from unrestricted current assets | 52,382       | 18,178       | 70,560        | 141,811       |
| Payable from restricted current assets:         |              |              |               |               |
| Customer deposits                               | 114,416      | -            | 114,416       | 115,385       |
| Total current liabilities                       | 166,798      | 18,178       | 184,976       | 257,196       |
| <b>Long-Term Liabilities</b>                    |              |              |               |               |
| Sewer revenue notes, less current portion       | -            | -            | -             | 360,548       |
| Total Liabilities                               | 166,798      | 18,178       | 184,976       | 617,744       |
| <b>Net Assets</b>                               |              |              |               |               |
| Invested in capital assets, net of related debt | 2,623,258    | 2,178,623    | 4,801,881     | 3,746,061     |
| Restricted for:                                 |              |              |               |               |
| Customer deposits                               | 114,416      | -            | 114,416       | 115,385       |
| Debt service requirements                       | -            | -            | -             | 626,975       |
| Unrestricted                                    | 1,625,962    | (1,393,866)  | 232,096       | 321,341       |
| Contributed Capital                             | -            | 2,367,451    | 2,367,451     | 2,367,451     |
| Total net assets                                | 4,363,636    | 3,152,208    | 7,515,844     | 7,177,213     |
| Total liabilities and net assets                | \$ 4,530,434 | \$ 3,170,386 | \$ 7,700,820  | \$ 7,794,957  |

See accompanying notes to financial statements

**Glenwood Municipal Utilities**  
**Statements of Revenues, Expenses, and**  
**Changes in Net Assets**  
**For the years ended June 30, 2008**  
**(With Comparative Totals for 2007)**

|                                       | Water        | Sewer        | Total<br>2008 | Total<br>2007 |
|---------------------------------------|--------------|--------------|---------------|---------------|
| Operating Revenues                    |              |              |               |               |
| Water sales                           | \$ 745,254   | \$ -         | \$ 745,254    | \$ 776,210    |
| Sewer sales                           | -            | 856,858      | 856,858       | 916,575       |
| Charges for services                  | 36,468       | 54,810       | 91,278        | 52,945        |
| Total operating revenues              | 781,722      | 911,668      | 1,693,390     | 1,745,730     |
| Operating Expenses                    |              |              |               |               |
| Salaries                              | 182,142      | 202,336      | 384,478       | 355,551       |
| Employee benefits                     | 81,768       | 68,071       | 149,839       | 131,221       |
| Contracted services                   | 1,690        | 7,992        | 9,682         | -             |
| Utilities                             | 63,145       | 67,145       | 130,290       | 114,407       |
| Telephone                             | 13,499       | 5,014        | 18,513        | 17,745        |
| Chemicals                             | 60,533       | 5,240        | 65,773        | 69,501        |
| Supplies                              | 16,182       | 13,322       | 29,504        | 20,628        |
| Computer expenses                     | 3,775        | 3,775        | 7,550         | 6,818         |
| Office supplies                       | 9,573        | 9,581        | 19,154        | 12,077        |
| Postage and freight                   | 6,969        | 6,915        | 13,884        | 13,085        |
| Insurance                             | 25,149       | 18,669       | 43,818        | 39,416        |
| Repairs and maintenance               | 57,183       | 35,523       | 92,706        | 117,284       |
| Legal and accounting                  | 2,588        | 2,588        | 5,176         | 4,645         |
| Board member fees                     | 1,200        | 1,200        | 2,400         | 2,160         |
| Engineering                           | 5,392        | 11,635       | 17,027        | 9,525         |
| Miscellaneous                         | 2,412        | 7,448        | 9,860         | 17,492        |
| Depreciation                          | 159,577      | 276,492      | 436,069       | 461,020       |
| Total operating expenses              | 692,777      | 742,946      | 1,435,723     | 1,392,575     |
| Operating income                      | 88,945       | 168,722      | 257,667       | 353,155       |
| Non-operating Revenues (Expenses)     |              |              |               |               |
| Interest income                       | 34,931       | 8,722        | 43,653        | 32,235        |
| Interest expense                      | -            | (23,094)     | (23,094)      | (28,597)      |
| Rent                                  | 14,185       | 1,248        | 15,433        | 14,016        |
| Miscellaneous                         | 7,255        | 611          | 7,866         | 4,694         |
| Collection fees                       | 7,015        | -            | 7,015         | 6,725         |
| Surcharges                            | 3,000        | -            | 3,000         | 3,130         |
| Penalty charges                       | 14,348       | 14,474       | 28,822        | 21,844        |
| Gain (loss) on sale of assets         | 2,700        | (1,732)      | 968           | -             |
| Merchandise and part sales            | 20,078       | 529          | 20,607        | 17,099        |
| Cost of merchandise and parts         | (22,800)     | (506)        | (23,306)      | (15,004)      |
| Net non-operating revenues (expenses) | 80,712       | 252          | 80,964        | 56,142        |
| Changes in net assets                 | 169,657      | 168,974      | 338,631       | 409,297       |
| Net assets, beginning of year         | 4,193,979    | 2,983,234    | 7,177,213     | 6,767,916     |
| Net assets, end of year               | \$ 4,363,636 | \$ 3,152,208 | \$ 7,515,844  | \$ 7,177,213  |

See accompanying notes to financial statements

**Glenwood Municipal Utilities**  
**Statements of Cash Flows**  
**For the years ended June 30, 2008 and 2007**  
**(With Comparative Totals for 2007)**

|  | Water             | Sewer             | Total<br>2008       | Total<br>2007       |
|--|-------------------|-------------------|---------------------|---------------------|
| <b>Cash Flows From Operating Activities:</b>                     |                   |                   |                     |                     |
| Cash received from customers                                     | \$ 812,519        | \$ 912,530        | \$ 1,725,049        | \$ 1,741,449        |
| Cash payments for goods and services                             | (251,737)         | (199,145)         | (450,882)           | (581,325)           |
| Cash payments to employees                                       | (261,285)         | (268,002)         | (529,287)           | (351,947)           |
| Net cash provided by operating activities                        | 299,497           | 445,383           | 744,880             | 808,177             |
| <b>Cash Flows From Capital and Related Financial Activities:</b> |                   |                   |                     |                     |
| Acquisition and construction of capital assets                   | (211,077)         | (410,942)         | (622,019)           | (500,081)           |
| Proceeds from the sale of capital assets                         | 2,700             | -                 | 2,700               | -                   |
| Principal paid on revenue notes                                  | -                 | (450,796)         | (450,796)           | (84,054)            |
| Interest paid on revenue notes                                   | -                 | (23,094)          | (23,094)            | (28,597)            |
| Net cash used for capital and related financing activities       | (208,377)         | (884,832)         | (1,093,209)         | (612,732)           |
| <b>Cash Flows From Investing Activities:</b>                     |                   |                   |                     |                     |
| Interest received on investments                                 | 34,931            | 8,722             | 43,653              | 32,236              |
| Investments purchased and reinvested interest                    | (177,274)         | (152,985)         | (330,259)           | (17,593)            |
| Other investment income received                                 | 45,781            | 14,624            | 60,405              | 59,504              |
| Payments received on contract receivable                         | 6,226             | -                 | 6,226               | 6,226               |
| Net cash provided by, (used for) investing activities            | (90,336)          | (129,639)         | (219,975)           | 80,373              |
| Net change in cash   | 784               | (569,088)         | (568,304)           | 275,818             |
| Cash, Beginning of Year  | 972,670           | 1,226,800         | 2,199,470           | 1,923,652           |
| Cash, End of Year  | <u>\$ 973,454</u> | <u>\$ 657,712</u> | <u>\$ 1,631,166</u> | <u>\$ 2,199,470</u> |
| <b>Cash Consists of the Following Amounts:</b>                   |                   |                   |                     |                     |
| Unrestricted:  |                   |                   |                     |                     |
| Cash   | \$ 859,038        | \$ 657,712        | \$ 1,516,750        | \$ 1,457,110        |
| Restricted:  |                   |                   |                     |                     |
| Customer deposits  | 114,416           | -                 | 114,416             | 115,385             |
| Revenue notes sinking fund                                       | -                 | -                 | -                   | 355,684             |
| Principal and interest reserve account                           | -                 | -                 | -                   | 112,651             |
| Replacement and maintenance fund                                 | -                 | -                 | -                   | 158,640             |
|  | <u>\$ 973,454</u> | <u>\$ 657,712</u> | <u>\$ 1,631,166</u> | <u>\$ 2,199,470</u> |

See accompanying notes to financial statements

**Exhibit C**  
**Continued**

**Glenwood Municipal Utilities**  
**Statements of Cash Flows**  
**For the years ended June 30, 2008 and 2007**

|  | <u>Water</u>      | <u>Sewer</u>      | <u>Total<br/>2008</u> | <u>Total<br/>2007</u> |
|--|-------------------|-------------------|-----------------------|-----------------------|
| Reconciliation of Operating Income to Net<br>Cash Provided by Operating Activities:        |                   |                   |                       |                       |
| Operating Income   | \$ 88,945         | \$ 168,722        | \$ 257,667            | \$ 353,155            |
| Adjustments to reconcile operating income<br>to net cash provided by operating activities: |                   |                   |                       |                       |
| Depreciation   | 159,577           | 276,492           | 436,069               | 461,020               |
| Loss (gain) on disposal of equipment   | (2,700)           | 1,731             | (969)                 | -                     |
| Net (increase) decrease in:  |                   |                   |                       |                       |
| Accounts receivable  | 19,400            | 1,322             | 20,722                | 14,531                |
| Unbilled usage   | 12,366            | 1,434             | 13,800                | (6,922)               |
| Inventories  | 1,448             | (1,885)           | (437)                 | (11,890)              |
| Net increase (decrease) in:  |                   |                   |                       |                       |
| Accounts payable   | 20,403            | (4,652)           | 15,751                | (10,506)              |
| Accrued wages and vacation payable   | 2,014             | 2,403             | 4,417                 | 3,604                 |
| Sales tax payable  | (987)             | (184)             | (1,171)               | 5,571                 |
| Customer deposits  | (969)             | -                 | (969)                 | (386)                 |
| Net cash provided by operating activities  | <u>\$ 299,497</u> | <u>\$ 445,383</u> | <u>\$ 744,880</u>     | <u>\$ 808,177</u>     |

See accompanying notes to financial statements

**Glenwood Municipal Utilities  
Notes to Financial Statements  
June 30, 2008 and 2007**

**NOTE 1 Summary of Significant Accounting Policies**

The Glenwood Municipal Utilities is a municipal utility. The utility produces and distributes water and provides sewer services to the residents of Glenwood, Pacific Junction and nearby rural areas.

Glenwood Municipal Utilities is a component unit of the City of Glenwood. The Utility is legally separate from the City but is financially accountable to the City. The Utility is governed by a five-member board appointed by the Mayor subject to approval by the City Council, and the Utilities' budget is approved by the City Council.

The Utilities' financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Glenwood Municipal Utilities has included all funds, organizations, agencies, boards, commissions and authorities. The Utility Board has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Utility Board are such that exclusion would cause the Utility Board's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Utility Board to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Utility Board. Glenwood Municipal Utilities has no component units which meet the Governmental Accounting Standards Board criteria.

**B. Basis of Presentation**

The accounts of Glenwood Municipal Utilities are organized as Enterprise Funds. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fund Financial Statements - Major individual enterprise funds are reported as separate columns in the fund financial statements.



**Glenwood Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2008 and 2007**

**NOTE 1 Summary of Significant Accounting Policies – Continued**

**B. Basis of Presentation - Continued**

Measurement Focus and Basis of Accounting

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Utility Board applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Utility Board distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility Board's principal ongoing operations. Water and sewer revenues are based on billing rates that are applied to customers' accounts based on their consumption of water. The Glenwood Municipal Utilities records estimated unbilled revenues at the end of accounting periods. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

**C. Assets, Liabilities and Net Investments**

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash and Cash Equivalents – The Glenwood Municipal Utilities considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, have a maturity date no longer than three months.

Investments – Investments are stated at cost, which approximates market value.

Accounts Receivable - Accounts receivable are presented at their net realizable values.

Inventory – Materials and supplies are valued at the lower of cost or market on a per item basis.

**Glenwood Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2008 and 2007**

**NOTE 1 Summary of Significant Accounting Policies – Continued**

**C. Assets, Liabilities and Net Investments - Continued**

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Capital assets are defined by the Utilities Board as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u>      | <u>Amount</u> |
|-------------------------|---------------|
| Land                    | \$ 2,000      |
| Buildings               | 2,000         |
| Water towers and system | 2,000         |
| Sewer system            | 2,000         |
| Equipment               | 2,000         |
| Vehicles                | 2,000         |

Capital assets of the Utility Board are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset Class</u>       | <u>Estimated Useful<br/>lives (In Years)</u> |
|--------------------------|--|
| Water towers             | 40 years                                     |
| Buildings                | 30 years                                     |
| Water mains and hydrants | 30 Years                                     |
| Sewer system             | 30 Years                                     |
| Equipment                | 5-10 years                                   |
| Vehicles                 | 7 years                                      |

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

**Glenwood Municipal Utilities  
Notes to Financial Statements  
June 30, 2008 and 2007**

**NOTE 2 Cash and Investments**

The Utility Board's deposits in banks at June 30, 2008 and 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Utility Board is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utility Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trust; and warrants or improvement certificates of a drainage district.

Interest rate risk

The Utility's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Utility.

**NOTE 3 Restricted Assets**

Restricted assets represent monies set aside for customer deposits, capital improvements, and revenue note requirements.

| <u>Water:</u>     | <u>Balance</u><br><u>06-30-07</u> | <u>Net</u><br><u>Change</u> | <u>Balance</u><br><u>06-30-08</u> |
|-------------------|-----------------------------------|-----------------------------|-----------------------------------|
| Customer Deposits | \$ 115,385                        | \$ (969)                    | \$ 114,416                        |

| <u>Sewer:</u>                            | <u>Balance</u><br><u>06-30-06</u> | <u>Net</u><br><u>Change</u> | <u>Balance</u><br><u>06-30-07</u> |
|--|-----------------------------------|-----------------------------|-----------------------------------|
| Revenue Notes, Sinking Fund              | \$ 355,684                        | \$ (355,684)                | \$ -                              |
| Principal and Interest Reserve Fund      | 112,651                           | (112,651)                   | -                                 |
| Replacement and Maintenance Reserve Fund | 158,640                           | (158,640)                   | -                                 |

**Glenwood Municipal Utilities  
Notes to Financial Statements  
June 30, 2008 and 2007**

**NOTE 4 Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

|                     | Balance<br>06-30-06 | Additions | Reductions | Balance<br>06-30-07 |
|---------------------|---------------------|-----------|------------|---------------------|
| Sewer Revenue Notes | \$ 450,796          | \$ -      | \$ 450,796 | \$ -                |

The Municipal Utility had pledged future sewer customer receipts, net of specified operating disbursements to repay \$1,900,000 in sewer revenue notes issued in November 1982. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment system. The notes were paid solely from sewer customer net receipts. The notes were retired early in April 2008. Principal and interest payments for the year ended June 30, 2008 were \$450,796 and \$23,094 respectively. Principal and interest payments for the year ended June 30, 2007 were \$84,054 and \$90,248 respectively.

**NOTE 5 Pension and Retirement Benefits**

The Department contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the Department is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The Department's contribution to IPERS for the years ended June 30, 2008, and 2007, were approximately \$23,100, and \$20,100, respectively, equal to the required contributions for each year.

**NOTE 6 Compensated Absences**

Glenwood Municipal Utilities' employees accumulate a limited amount of earned but unused vacation hours for subsequent use, or for payment upon termination, retirement or death. The accumulated liability for accrued vacation totaled approximately \$13,700 and \$11,300 as of June 30, 2008 and 2007, respectively. This liability has been computed based on rates of pay as of the end of the fiscal year.

Sick leave may be accumulated up to 100 days. The Glenwood Municipal Utilities has a policy that sick leave is lost upon termination, retirement or death. Therefore, these accumulations are not recognized as expenditures until used or paid.

**Glenwood Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2008 and 2007**

**NOTE 7 Recycling and Sewer Fees Payable**

The Glenwood Municipal Utilities acts as a collecting agent for the City of Glenwood for recycling fees. Customer bills include allocations for water, recycling and sewer. Collected fees are deposited and then monthly totals are remitted to the City.

During the current period the Board remitted the following amounts to the City of Glenwood:

|                           |                  |
|---------------------------|------------------|
| Recycling fees            | \$ 33,132        |
| Penalty on Recycling fees | 660              |
| Total                     | <u>\$ 33,792</u> |

As of June 30, the following amounts are payable to the City of Glenwood:

|                              | <u>2008</u>     | <u>2007</u>     |
|------------------------------|-----------------|-----------------|
| Recycling fees and penalties | <u>\$ 2,915</u> | <u>\$ 2,703</u> |

**NOTE 8 Purchase of Water Distribution System**

On July 1, 1993, the Municipal Utility entered into an agreement with an adjoining municipality for a non-exclusive franchise to construct and operate a distribution system within the municipality. The Glenwood Municipal Utilities assumed an obligation of the municipality with Farmer's Home Administration. This obligation was paid in full on August 18, 1993 with payment of principal of \$96,000 and interest of \$3,025. The Board is imposing a surcharge on the customers within the municipality to reimburse the Board for payment of this obligation.

The balance of this contract receivable was approximately \$7,500 and \$13,800 as of June 30, 2008 and 2007 respectively, and is reflected as an asset on the balance sheet.

**NOTE 9 Risk Management**

Glenwood Municipal Utilities is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Municipal Utility assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10 Subsequent Events**

The Utility signed a construction contract for the replacement of roofing systems on various buildings owned by the Utility. The total expected costs of the project is \$132,000.

**Glenwood Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2008 and 2007**

**NOTE 11 Construction Contract Commitments**

The Municipal Utility has entered into a contract for repairs at the school.

As of June 30, 2008, the following amounts have been paid in connection with this project:

|                  | Contract<br>Amount | Prior<br>Year Costs | Current<br>Year Costs | Balance<br>to be Paid |
|------------------|--------------------|---------------------|-----------------------|-----------------------|
| Construction     | \$ 426,931         | \$ -                | \$ 426,931            | \$ -                  |
| Engineering fees |                    | 50,032              | 42,602                |                       |
| Total            |                    | \$ 50,032           | \$ 469,533            |                       |

All costs are being paid by the Municipal Utility and reimbursed from the school. Reimbursements for the year ended June 30, 2008 totaled \$409,005. Reimbursements due from the school of \$84,706 are included in construction in progress at June 30, 2008. In addition, the water plant and sewer plant have several other projects started with costs totaling \$19,687 and \$15,725, respectively, which are also reported as Construction in Progress.

The Municipal Utility entered into a contract for repairs at the wastewater treatment plant. As of June 30, 2007, the following amounts were paid in connection with this project:

|                     | Contract<br>Amount | Prior<br>Year Costs | Current<br>Year Costs | Balance<br>to be Paid |
|---------------------|--------------------|---------------------|-----------------------|-----------------------|
| Construction        | \$ 342,979         | \$ 308,682          | \$ 34,297             | \$ -                  |
| Miscellaneous costs |                    | 8,649               | -                     |                       |
| Engineering fees    |                    | 3,563               | 3,773                 |                       |
| Legal fees          |                    | -                   | 3,618                 |                       |
| Consulting fees     |                    | 80,058              | 2,810                 |                       |
| Total               |                    | \$ 400,952          | \$ 44,498             |                       |

Project costs of \$445,450 are reported as Construction in Progress on the Balance Sheet. In addition, the water plant and sewer plant have several other projects started with costs totaling \$43,950 and \$51,523, respectively, which are also reported as Construction in Progress.

### **Required Supplementary Information**

**Glenwood Municipal Utilities  
Budgetary Comparison Schedule of  
Revenues and Expenditures – Actual to Budget  
Required Supplementary Information  
Year Ended June 30, 2008**

|   | Total<br>2008       | Original<br>Budget | Final<br>Budget  | Budget<br>to Total<br>Variance |
|---|---------------------|--------------------|------------------|--------------------------------|
| <b>Revenues:</b>  |                     |                    |                  |                                |
| Water sales   | \$ 745,254          | \$ 820,000         | \$ 814,000       | \$ (68,746)                    |
| Sewer sales   | 856,858             | 950,000            | 915,000          | (58,142)                       |
| Charges for service                                       | 91,278              | 46,275             | 57,200           | 34,078                         |
| Interest  | 43,653              | 31,500             | 34,500           | 9,153                          |
| Rent  | 15,433              | 13,368             | 14,760           | 673                            |
| Merchandise and parts sales (net)                         | 20,607              | 20,000             | 18,500           | 2,107                          |
| Other   | 47,671              | 47,675             | 47,340           | 331                            |
| <b>Total revenues</b>                                     | <b>1,820,754</b>    | <b>1,928,818</b>   | <b>1,901,300</b> | <b>(80,546)</b>                |
| <b>Expenditures:</b>                                      |                     |                    |                  |                                |
| <b>Production Expense:</b>                                |                     |                    |                  |                                |
| Fixed costs   | 689,904             | 737,470            | 774,675          | 84,771                         |
| Variable costs  | 14,689              | 16,850             | 16,250           | 1,561                          |
| Interest  | 23,094              | 23,000             | 25,000           | 1,906                          |
| Supplies  | 18,343              | 14,200             | 15,950           | (2,393)                        |
| Chemicals and freight                                     | 65,772              | 79,500             | 83,250           | 17,478                         |
| Maintenance and repairs                                   | 48,252              | 92,975             | 81,500           | 33,248                         |
| <b>Total production expense</b>                           | <b>860,054</b>      | <b>963,995</b>     | <b>996,625</b>   | <b>136,571</b>                 |
| <b>Distribution Expense:</b>                              |                     |                    |                  |                                |
| Fixed costs   | 364,404             | 376,051            | 414,348          | 49,944                         |
| Variable costs  | 18,943              | 27,205             | 25,375           | 6,432                          |
| Supplies  | 8,519               | 9,200              | 8,350            | (169)                          |
| Maintenance and repairs                                   | 37,388              | 68,000             | 69,500           | 32,112                         |
| <b>Total distribution expense</b>                         | <b>429,254</b>      | <b>480,456</b>     | <b>517,573</b>   | <b>88,319</b>                  |
| <b>Administrative:</b>                                    |                     |                    |                  |                                |
| Fixed costs   | 121,650             | 96,905             | 122,757          | 1,107                          |
| Variable costs  | 47,859              | 67,408             | 70,100           | 22,241                         |
| <b>Total administrative</b>                               | <b>169,509</b>      | <b>164,313</b>     | <b>192,857</b>   | <b>23,348</b>                  |
| <b>Total expenditures</b>                                 | <b>1,458,817</b>    | <b>1,608,764</b>   | <b>1,707,055</b> | <b>248,238</b>                 |
| Cost of merchandise sold                                  | 23,306              | (9,400)            | (11,500)         | (34,806)                       |
| Principal payments on revenue note                        | 450,796             | 112,651            | 202,599          | (248,197)                      |
| <b>Total budgeted disbursements</b>                       | <b>1,932,919</b>    | <b>1,712,015</b>   | <b>1,898,154</b> | <b>(34,765)</b>                |
| <b>Excess of revenues over<br/>budgeted disbursements</b> | <b>\$ (112,165)</b> | <b>\$ 216,803</b>  | <b>\$ 3,146</b>  | <b>\$ (115,311)</b>            |

See accompanying independent auditors' report



**Glenwood Municipal Utilities**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2008**

In accordance with the Code of Iowa, the Utility Board annually adopts a budget on the accrual basis following required public notice and hearing. The budget is subject to approval by the City of Glenwood. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. During the year, one budget amendment decreased budgeted revenues approximately 29,600 and increased budgeted disbursements approximately 188,200.

The difference between the total expenditures and total revenues from the published budget and the budget included here are due to grouping differences. The Merchandise and parts sales were presented as a gross amount in the published budget and as a net amount in the included budget.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

**Glenwood Municipal Utilities  
Other Supplementary Information**

**Glenwood Municipal Utilities**  
**Schedule of Property, Plant and Equipment - Water**  
**June 30, 2008**

|                           | <b>COST</b>                  |                   |                  | <b>Balance<br/>6/30/2008</b> |
|---------------------------|------------------------------|-------------------|------------------|------------------------------|
|                           | <b>Balance<br/>6/30/2007</b> | <b>Additions</b>  | <b>Disposals</b> |                              |
| <b>Production Plant</b>   |                              |                   |                  |                              |
| Land                      | \$ 45,648                    | \$ -              | \$ -             | \$ 45,648                    |
| Buildings                 | 470,382                      | 34,820            | -                | 505,202                      |
| Machinery                 | 1,052,623                    | 12,465            | -                | 1,065,088                    |
| Equipment                 | <u>90,094</u>                | <u>59,072</u>     | <u>13,626</u>    | <u>135,540</u>               |
| Total production plant    | 1,658,747                    | 106,357           | 13,626           | 1,751,478                    |
| <b>Distribution Plant</b> |                              |                   |                  |                              |
| Land                      | 25,973                       | -                 | -                | 25,973                       |
| Buildings                 | 1,324,055                    | -                 | -                | 1,324,055                    |
| Machinery                 | 4,302,304                    | 75,700            | -                | 4,378,004                    |
| Equipment                 | <u>87,845</u>                | <u>12,275</u>     | <u>33,012</u>    | <u>67,108</u>                |
| Total distribution plant  | 5,740,177                    | 87,975            | 33,012           | 5,795,140                    |
| <b>Administration</b>     |                              |                   |                  |                              |
| Equipment                 | <u>103,083</u>               | <u>2,879</u>      | <u>-</u>         | <u>105,962</u>               |
| <b>Total</b>              | <u>\$ 7,502,007</u>          | <u>\$ 197,211</u> | <u>\$ 46,638</u> | <u>\$ 7,652,580</u>          |

|                           | <b>ACCUMULATED DEPRECIATION</b> |                     |                  | <b>Balance<br/>6/30/2008</b> |
|---------------------------|---------------------------------|---------------------|------------------|------------------------------|
|                           | <b>Balance<br/>6/30/2007</b>    | <b>Depreciation</b> | <b>Disposals</b> |                              |
| <b>Production Plant</b>   |                                 |                     |                  |                              |
| Land                      | \$ -                            | \$ -                | \$ -             | \$ -                         |
| Buildings                 | 443,162                         | 5,427               | -                | 448,589                      |
| Machinery                 | 1,013,487                       | 17,806              | -                | 1,031,293                    |
| Equipment                 | <u>75,087</u>                   | <u>2,934</u>        | <u>13,626</u>    | <u>64,395</u>                |
| Total production plant    | 1,531,736                       | 26,167              | 13,626           | 1,544,277                    |
| <b>Distribution Plant</b> |                                 |                     |                  |                              |
| Land                      | -                               | -                   | -                | -                            |
| Buildings                 | 434,123                         | 55,439              | -                | 489,562                      |
| Machinery                 | 2,790,697                       | 68,479              | -                | 2,859,176                    |
| Equipment                 | <u>59,415</u>                   | <u>8,779</u>        | <u>33,012</u>    | <u>35,182</u>                |
| Total distribution plant  | 3,284,235                       | 132,697             | 33,012           | 3,383,920                    |
| <b>Administration</b>     |                                 |                     |                  |                              |
| Equipment                 | <u>100,412</u>                  | <u>713</u>          | <u>-</u>         | <u>101,125</u>               |
| <b>Total</b>              | <u>\$ 4,916,383</u>             | <u>\$ 159,577</u>   | <u>\$ 46,638</u> | <u>\$ 5,029,322</u>          |

See accompanying independent auditors' report

## Schedule 1 - Continued

**Glenwood Municipal Utilities**  
**Schedule of Property, Plant and Equipment - Sewer**  
**June 30, 2008**

**COST**

|                           | Balance<br>6/30/2007 | Additions         | Disposals         | Balance<br>6/30/2008 |
|---------------------------|----------------------|-------------------|-------------------|----------------------|
| <b>Production Plant</b>   |                      |                   |                   |                      |
| Buildings                 | \$ 5,199,590         | \$ 103,548        | \$ -              | \$ 5,303,138         |
| Machinery                 | 4,105,256            | 716,736           | 318,463           | 4,503,529            |
| Equipment                 | 284,928              | -                 | -                 | 284,928              |
| Total production plant    | 9,589,774            | 820,284           | 318,463           | 10,091,595           |
| <b>Distribution Plant</b> |                      |                   |                   |                      |
| Buildings                 | 505,000              | -                 | -                 | 505,000              |
| Machinery                 | 4,290,598            | 9,605             | -                 | 4,300,203            |
| Equipment                 | 164,893              | 12,845            | -                 | 177,738              |
| Total distribution plant  | 4,960,491            | 22,450            | -                 | 4,982,941            |
| <b>Administration</b>     |                      |                   |                   |                      |
| Equipment                 | 2,671                | 2,879             | -                 | 5,550                |
| <b>Total</b>              | <b>\$ 14,552,936</b> | <b>\$ 845,613</b> | <b>\$ 318,463</b> | <b>\$ 15,080,086</b> |

**ACCUMULATED DEPRECIATION**

|                           | Balance<br>6/30/2007 | Additions         | Disposals         | Balance<br>6/30/2008 |
|---------------------------|----------------------|-------------------|-------------------|----------------------|
| <b>Production Plant</b>   |                      |                   |                   |                      |
| Buildings                 | \$ 4,466,602         | \$ 134,012        | \$ -              | \$ 4,600,614         |
| Machinery                 | 3,650,385            | 77,688            | 316,731           | 3,411,342            |
| Equipment                 | 257,186              | 8,230             | -                 | 265,416              |
| Total production plant    | 8,374,173            | 219,930           | 316,731           | 8,277,372            |
| <b>Distribution Plant</b> |                      |                   |                   |                      |
| Buildings                 | 505,000              | -                 | -                 | 505,000              |
| Machinery                 | 3,959,630            | 41,295            | -                 | 4,000,925            |
| Equipment                 | 102,900              | 14,553            | -                 | 117,453              |
| Total distribution plant  | 4,567,530            | 55,848            | -                 | 4,623,378            |
| <b>Administration</b>     |                      |                   |                   |                      |
| Equipment                 | -                    | 713               | -                 | 713                  |
| <b>Total</b>              | <b>\$ 12,941,703</b> | <b>\$ 276,491</b> | <b>\$ 316,731</b> | <b>\$ 12,901,463</b> |

See accompanying independent auditors' report

## Schedule 2

**Glenwood Municipal Utilities**  
**Schedule of Water Expenses Per 1,000 Gallons of Water Finished**  
**For the Years Ended June 30, 2007 and 2008**

|                                   | 2008        | Per 1,000<br>Gallons | 2007        | Per 1,000<br>Gallons |
|-----------------------------------|-------------|----------------------|-------------|----------------------|
| Operating Expenses                |             |                      |             |                      |
| Salaries                          | 182,142     | 0.70                 | 166,057     | 0.63                 |
| Employee benefits                 | 81,768      | 0.31                 | 72,312      | 0.27                 |
| Contracted services               | 1,690       | 0.01                 | -           | -                    |
| Utilities                         | 63,145      | 0.24                 | 65,653      | 0.25                 |
| Telephone                         | 13,499      | 0.05                 | 13,371      | 0.05                 |
| Chemicals                         | 60,533      | 0.23                 | 66,542      | 0.25                 |
| Supplies                          | 16,182      | 0.06                 | 13,558      | 0.05                 |
| Computer expenses                 | 3,775       | 0.01                 | 3,409       | 0.01                 |
| Office supplies                   | 9,573       | 0.04                 | 6,052       | 0.02                 |
| Postage and freight               | 6,969       | 0.03                 | 6,550       | 0.02                 |
| Insurance                         | 25,149      | 0.10                 | 20,859      | 0.08                 |
| Repairs and maintenance           | 57,183      | 0.22                 | 74,488      | 0.28                 |
| Legal and accounting              | 2,588       | 0.01                 | 2,795       | 0.01                 |
| Board member fees                 | 1,200       | 0.00                 | 1,080       | 0.00                 |
| Engineering                       | 5,392       | 0.02                 | 4,441       | 0.02                 |
| Miscellaneous                     | 2,412       | 0.01                 | 8,374       | 0.03                 |
| Depreciation                      | 159,577     | 0.61                 | 158,240     | 0.60                 |
| Total operating expenses          | 692,777     | 2.66                 | 683,781     | 2.58                 |
|                                   |             |                      |             |                      |
| Total Gallons Pumped              | 278,723,000 | 100.00%              | 286,079,000 | 100.00%              |
| Total Gallons Finished            | 260,541,500 | 93.48%               | 265,280,000 | 92.73%               |
| Gallons Used in Processing        | 18,181,500  | 6.52%                | 20,799,000  | 7.30%                |
|                                   |             |                      |             |                      |
| Total Gallons Finished            | 260,541,500 | 93.48%               | 265,280,000 | 92.70%               |
| Total Gallons Billed and City Use | 247,231,018 | 88.70%               | 255,000,903 | 89.10%               |
| Gallons Unaccounted For           | 13,310,482  | 4.78%                | 10,279,097  | 3.60%                |

See accompanying independent auditors' report

**Schedule 3**

**Glenwood Municipal Utilities  
Schedule of Sewer Expenses Per 1,000 Gallons of Wastewater Billed  
For the Years Ended June 30, 2007 and 2008**

|                          | <u>2008</u>    | <u>Per 1,000<br/>Gallons</u> | <u>2007</u>    | <u>Per 1,000<br/>Gallons</u> |
|--------------------------|----------------|------------------------------|----------------|------------------------------|
| Operating Expenses       |                |                              |                |                              |
| Salaries                 | 202,336        | 1.16                         | 189,494        | 1.08                         |
| Employee benefits        | 68,071         | 0.39                         | 58,909         | 0.34                         |
| Contracted services      | 7,992          | 0.05                         | -              | -                            |
| Utilities                | 67,145         | 0.39                         | 48,754         | 0.28                         |
| Telephone                | 5,014          | 0.03                         | 4,374          | 0.02                         |
| Chemicals                | 5,240          | 0.03                         | 2,959          | 0.02                         |
| Supplies                 | 13,322         | 0.08                         | 7,070          | 0.04                         |
| Computer expenses        | 3,775          | 0.02                         | 3,409          | 0.02                         |
| Office supplies          | 9,581          | 0.06                         | 6,025          | 0.03                         |
| Postage and freight      | 6,915          | 0.04                         | 6,535          | 0.04                         |
| Insurance                | 18,669         | 0.11                         | 18,557         | 0.11                         |
| Repairs and maintenance  | 35,523         | 0.20                         | 42,796         | 0.24                         |
| Legal and accounting     | 2,588          | 0.01                         | 1,850          | 0.01                         |
| Board member fees        | 1,200          | 0.01                         | 1,080          | 0.01                         |
| Engineering              | 11,635         | 0.07                         | 5,084          | 0.03                         |
| Miscellaneous            | 7,448          | 0.04                         | 9,118          | 0.05                         |
| Depreciation             | <u>276,492</u> | <u>1.59</u>                  | <u>302,780</u> | <u>1.72</u>                  |
| Total operating expenses | 742,946        | 4.27                         | 708,794        | 4.04                         |
|                          |                |                              |                |                              |
| Total Gallons            |                |                              |                |                              |
| Wastewater Billed        | 173,917,428    |                              | 175,657,557    |                              |

See accompanying independent auditors' report

**Glenwood Municipal Utilities**  
**Schedule of Water and Sewer Sales and Expenses Per 1,000 Gallons**  
**For the Periods Ended June 30, 2008 and 2007**

**WATER**

|                                      | <u>6/30/2008</u> |  | <u>6/30/2007</u> |  |
|--------------------------------------|------------------|--|------------------|--|
|                                      | <u>Total</u>     | <u>Cost Per 1,000<br/>Gallons Sold</u> | <u>Total</u>     | <u>Cost Per 1,000<br/>Gallons Sold</u> |
| Water sales                          | \$ 745,254       | \$ 3.01                                | \$ 776,210       | \$ 2.83                                |
| Operating expenses                   | <u>692,777</u>   | <u>2.80</u>                            | <u>683,781</u>   | <u>2.43</u>                            |
| Operating income                     | <u>\$ 52,477</u> | <u>\$ 0.21</u>                         | <u>\$ 92,429</u> | <u>\$ 0.40</u>                         |
| Total Gallons Billed<br>and City Use | 247,231,018      |  | 255,000,903      |  |

**SEWER**

|                                    | <u>6/30/2008</u>   |                                   | <u>6/30/2007</u>   |                                   |
|------------------------------------|--------------------|-----------------------------------|--------------------|-----------------------------------|
|                                    | <u>Total</u>       | <u>Cost Per 1,000<br/>Gallons</u> | <u>Total</u>       | <u>Cost Per 1,000<br/>Gallons</u> |
| Sewer sales                        | \$ 856,858         | \$ 4.93                           | \$ 916,575         | \$ 5.22                           |
| Operating expenses                 | <u>742,946</u>     | <u>4.27</u>                       | <u>708,794</u>     | <u>4.04</u>                       |
| Operating income                   | <u>\$ 113,912</u>  | <u>\$ 0.65</u>                    | <u>\$ 207,781</u>  | <u>\$ 1.18</u>                    |
| Total Gallons<br>Wastewater Billed | <u>173,917,428</u> |                                   | <u>175,657,557</u> |                                   |

See accompanying independent auditors' report

**Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Prepared in  
Accordance with *Government Auditing Standards***



January 8, 2009

Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on and Audit of Financial Statements  
Prepared in Accordance with *Government Auditing Standards*

To the Board of Trustees of the  
Glenwood Municipal Utilities

We have audited the accompanying financial statement of the Glenwood Municipal Utilities as of and for the year ended June 30, 2008, and have issued our report thereon dated January 8, 2009. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Glenwood Municipal Utilities' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Glenwood Municipal Utilities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Glenwood Municipal Utilities' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Glenwood Municipal Utilities' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Glenwood Municipal Utilities' financial statements that is more than inconsequential will not be prevented or detected by Glenwood Municipal Utilities' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Glenwood Municipal Utilities' internal control.

Continued...

November 5, 2008  
Glenwood Municipal Utilities  
Report on Internal Control

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glenwood Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Glenwood Municipal Utilities and other parties to whom the Utilities may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Glenwood Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**Glenwood Municipal Utilities  
Schedule of Findings  
Year Ended June 30, 2008**

**Part I: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

No matters were noted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part II: Other Findings Related to Statutory Reporting:**

II-A-08 Certified Budget - Total disbursements during the year ended June 30, 2008, did not exceed the amounts budgeted.

II-B-08 Questionable Disbursements - We noted no disbursements for parties, banquets, or other entertainment for employees that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense - No disbursements of Municipal Utilities' money for travel expenses of spouses of Municipal Utilities' officials or employees were noted.

II-D-08 Business Transactions - Business transactions between the Utility and Utility officials are detailed as follows:

| Name, Title, and<br>Business Connection  | Transaction<br>Description | Amount   |
|--|----------------------------|----------|
| Lonnie Mayberry, Board Member through<br>June 30, 2008, Employee of Land Surveying<br>Services, Inc. | Upgrade Mapping System     | \$ 3,100 |

In accordance with the Code of Iowa, the transaction with the Board Member does not appear to represent a conflict of interest since it was entered into through competitive bidding.

II-E-08 Bond Coverage - Surety bond coverage of Municipal Utilities' officials and employees is in accordance with statutory provisions. However, the amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-08 Revenue Notes - The Municipal Utility is in compliance with the requirements of the Sewer Revenue Bond Resolution.

II-H-08 Deposits and Investments - We noted no instances of noncompliance with the deposits and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Municipal Utility's investment policy.

**Glenwood Municipal Utilities  
Schedule of Findings  
Year Ended June 30, 2008**

**Part II: Other Findings Related to Statutory Reporting - Continued:**

II-I-08    Statistical Information

| <u>Description</u>   | <u>Amount</u> |
|--|---------------|
| Water Customers served at June 30, 2008                        | 2,768         |
| Gallons of water pumped during the year ended<br>June 30, 2008 | 278,723,000   |
| Gallons of water sold during the year ended<br>June 30, 2008   | 247,231,018   |

February 17, 2009

David Vaudt  
Office of State Auditor  
1007 East Grand Avenue  
Des Moines, IA 50319

Dear Sir:

We have enclosed for your records the following information regarding the audit of Glenwood Municipal Utilities for the year ended June 30, 2008.

- 2 copies of the audit report
- 1 copy of the news release
- 1 copy of the number of hours worked
- 1 copy of the invoice

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain  
Shareholder

DM/sh  
Enc.

February 17, 2009

Rosemarie McDuffie  
Glenwood Municipal Utilities  
107 S. Locust  
Glenwood, IA 51534

Dear Rosemarie:

We have filed the required copies of your audit report with the Office of Auditor of State. A filing fee is required to be paid based on your final amended budget, according to the following schedule:

| <u>Budgeted Expenditures (in millions of dollars)</u> | <u>Fee Amount</u> |
|---|-------------------|
| Under 1   | \$100.00          |
| At least 1, but less than 3                           | \$175.00          |
| At least 3, but less than 5                           | \$250.00          |
| At least 5, but less than 10                          | \$425.00          |
| At least 10, but less than 25                         | \$625.00          |
| 25 and over   | \$850.00          |

You are required to send the appropriate filing fee. The check should be made payable to "Auditor of State" and mailed to Office of Auditor of State, PO Box 333, Des Moines, IA 50302.

If you have any questions, please do not hesitate to call me at 712-322-8734.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain  
Shareholder

DM/sh

Glenwood Municipal Utilities

Hours Worked: 115.50